

Regulatory Highlights for 1999

ALBERTA ENERGY AND UTILITIES BOARD

***This publication is dedicated to the memory
of EUB Board Member Frank Mink.***

Frank spent 27 successful years with the EUB, where he both guided and grew with the organization. From 1972 until his Board appointment in 1987, he was a senior economist with and then manager of the former Economics Department. In December 1990, he was appointed Vice-Chairman and then served as Co-Chairman from 1991 to 1994, after which he continued as Board Member.

Many Albertans in industry and the public remember Frank for his quasi-judicial role. From his first examiner hearing in 1978 until his illness last summer, Frank sat on 131 public hearings in 21 years. He dealt with virtually all of the challenging energy and utility issues, from early oil sands and electric power mega-projects to controversial sour gas developments.

By his own account, Frank's most noteworthy accomplishment was his long-term interest and success in promoting greater public consultation and innovation in problem-solving. Starting in the mid-1980s, he fostered the EUB's public involvement guidelines and the formation of community-industry groups. More recently, he had been a keen supporter of initiatives to improve landowner-industry relations and the emerging use of alternative dispute resolution.

Just before his death, Frank became the first recipient of the Chairman's Award of Distinction, a new honour introduced by chairman Neil McCrank to honour outstanding contribution to regulatory excellence by an EUB employee.

For those who knew him, Frank's true mark of distinction was the quality of his relationships with others. He attributed his achievements to teamwork and always made time to express his appreciation to the people with whom he worked.

He will be greatly missed.



Frank Mink
July 23, 1941 - April 26, 2000

About this publication

Welcome to *Regulatory*

Highlights for 1999. This

publication summarizes what the EUB did in the past year, including important regulatory issues, trends, and initiatives.

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The EUB World Wide Web site on the Internet provides up-to-date information on the EUB, current activities, and decisions. The address is

<http://www.eub.gov.ab.ca>

Cover Photo: *EUB field inspector*

Kathy Ronald checks a drilling rig near Wainwright, Alberta.

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About the EUB

Who We Are

The Alberta Energy and Utilities Board (EUB) is a provincial, quasi-judicial agency that regulates Alberta's energy resource and utility sectors. The EUB has 650 staff in 13 locations across Alberta, with its main office in downtown Calgary.

Although the EUB makes its decisions independently, it is part of the Alberta Ministry of Resource Development. Many people still know us by our former names: the Energy Resources Conservation Board (ERCB) and the Public Utilities Board (PUB). These two boards merged in 1995 to create the EUB, and in 1996 the Alberta Geological Survey (AGS) joined the EUB. With the combined history of its parent organizations, the EUB is the oldest regulatory agency in Alberta.

What We Do

The EUB ensures that the discovery, development, and delivery of Alberta's resources take place in a manner that is fair, responsible, and in the public interest.

The EUB has four core functions:

- 1 adjudication and regulation,
- 2 applications,
- 3 surveillance and enforcement, and
- 4 information and knowledge.

Who We Serve

For the energy and utility industries, the EUB provides

- a stable, consultative, and competent regulatory environment,
- comprehensive requirements, consistently applied and enforced,
- streamlined application review processes,
- conflict resolution among industry players (e.g., hearings, inquiries),
- resource conservation through efficient production requirements,
- a level playing field with industry accountability for meeting operational requirements,
- accessible and up-to-date energy information, and
- coordination with other government departments for project approvals.

The public can rely on the EUB for

- public safety and environmental protection regarding energy development,
- response to public and consumer complaints for both utility services and energy development,
- facilitation of public concerns about oil and gas development,
- the right to be heard, especially for directly affected landowners and communities,
- monitoring of energy industry operations and public consultation guidelines,
- safe and efficient utilities service at rates that are fair and reasonable,
- orderly development and conservation through efficient production and waste prevention, and
- publicly accessible information.

The EUB works closely with government departments and agencies at all levels by

- ensuring that matters of mutual concern are addressed and coordinated to avoid duplication, and
- providing information, advice, and recommendations.

Calgary's main office (back) and Hainwright field centre (front), one of EUB's eight field offices throughout Alberta

EUB
Hainwright Area Office

Chairman Neil McCrank on EUB Priorities

Last year was one of significant change for the EUB. During 1999, the EUB developed a three-year business plan to deal with the many internal and external issues and concerns that face the EUB.

Internally, we reorganized, appointed a new senior management team, and set new mission, vision, and directional statements. Our plan includes a new budget for 2000/2001, which I believe addresses some significant resource concerns and is helping us to realign the four core areas of our business:

Regulatory Support—We cleared up most of the backlog of outstanding decisions from completed hearings and have put in place a performance measure to issue 90 per cent of hearing decisions within 90 days of the hearing closure to ensure timely decision making. (For more, see p. 16.)

Landowner/Industry Concerns—We are rebuilding our field offices to ensure that we have the resources to regulate properly. This will include working with landowners and industry to find solutions to their problems at an early stage.

Human Resources Strategy—We are working towards rebuilding our employee strength by becoming more competitive with the industries we regulate.

Information Technology Renewal—As the new millennium holds great promise for e-commerce and other technological advancements, we have renewed our commitment to staying abreast of change.

During 1999, we attempted to become more visible to our many external stakeholders as an effective regulator. We met with industry associations, government departments, environmental nongovernment organizations, and the public to identify issues and collaboratively develop solutions to concerns. In conjunction with these stakeholders, we launched some important committees to help us review public safety and sour gas requirements, sulphur recovery guidelines, a funding model for the EUB, and appropriate dispute resolution mechanisms.

As we look to the future, I see many significant challenges on the immediate horizon. As we left 1999, we observed high industry activity on the energy side. We also have much to do to continue our progress towards full electric deregulation by January 1, 2001. I am confident that the EUB will meet these challenges because of our dedicated staff.



"We are also examining and planning for our long-term future as a regulator. The industries we regulate are changing... environmental concerns are becoming more prominent... We want to assure the public that there is an effective regulatory body 'on the job.'"

Wherever these committed people work across Alberta, each does his or her part to ensure that we add regulatory value to our process so that we can meet the challenges ahead.

We are also examining and planning for our long-term future as a regulator. The industries we regulate are changing from conventional oil to oil sands, from regulated electricity and natural gas to a more market-driven deregulated system, and environmental concerns are becoming more prominent. We want to assure the public of Alberta that there is an effective regulatory body "on the job." With innovative and dedicated staff, the EUB will meet these immediate and long-range challenges. ❖

Board Members' Perspectives on 1999/2000

Board Members were asked what they consider to have been the EUB's biggest challenges in 1999. They were also asked to say what trends they think will impact our organization and industries in the years to come. Here's what they had to say.

During 1999 we gained stakeholder support for improved funding so we can implement a rebuilding program for the EUB. We are certain that by retaining and attracting the talented people that we need—particularly for field operations—we can effectively meet the challenges of the new decade.

A key accomplishment of the EUB in 1999 was successfully meeting the increased workload in the utilities sector, while at the same time restructuring organizationally and launching key initiatives to safeguard the balance between public and industry concerns.

Brad McManis

In 1999, the EUB played a large role in making decisions on how deregulation of the electrical power industry will proceed. The EUB's open-market competition for utilities will undoubtedly require the EUB to continue to be a key player in ongoing regulation.

Graham Lock

The EUB's most important accomplishments in 1999 included the completion of the planning policy and the progress we made on landowner consultation and mediation issues. As we enter a new decade, one of the EUB's key challenges will be maintaining public confidence in our regulatory process.

Frank Mink

The EUB has placed a priority on being more accessible and on improving communications with a wide variety of stakeholders. We will follow this renewed approach with action on such critically important priorities as landowner-industry issues and improving our

One trend we are witnessing is that Albertans are becoming more and more aware of the energy industry and are demanding to know about thresholds, risks, supply, and sustainability. As landowner-

see

the EUB's biggest challenge will be dealing with a potential increase in industry action by high oil and gas pipeline capacity, and a potential economy. We will have to be diligent to ensure the right balance between the public's best interests and the development of the industry.

Brian

Secretary to the Board

Bonnie McGinnis

Our 1999 restructuring is enabling us to be more responsive to the current expectations of all Albertans. As we enter the new era of competition in the energy and utility industries, this improved structure will allow us to continue balancing the orderly development of energy resources with the needs of Albertans.

**Chairman
Neil McCrank**

Gordon Miller

Looking Back to the Future: An Interview

In January 2000, Earle Shirley was appointed Chief Operating Officer (COO) for the EUB. Below, he discusses his role, changes within the organization, and challenges the EUB is facing.

How would you describe your role as COO?

At a high level, my role is to translate Board policy into action. I do this by providing direction to and coordinating the actions of the executive management team to align with our overall plan for the year. On a day-to-day level, I take responsibility for managing issues that affect all staff. As I see it, my job is to keep outside factors to a minimum to ensure that our employees can focus on their jobs.

You have said that reinvesting in people is a key priority for the EUB. What does this really mean?

It's no secret that this is important for us—we've lost a lot of people to industry over the last few years. I realize this is not unique to the EUB; every organization goes through highs and lows. But we want to retain, recognize, and reward the many talented, dedicated people who have stayed here as well as attract new expertise. We are now entering a rebuilding phase, backed by the support of our stakeholders.

For example, we are designing a more competitive compensation program. We are actively recruiting and planning innovative training programs. We are creating leadership continuity plans to identify our future leaders and to provide them with opportunities to develop their skills. We are looking "back to the future," analyzing the good things we did in the past and, where it makes sense to do so, reimplementing them in today's context.

You have taken accountability for improving the hearing process. What will this mean for the EUB and its stakeholders?

The nature of the energy resource and utility industries dictates that there will always be a need for issues to be adjudicated in a fair, objective manner. For example, since its earliest beginnings, the EUB has strived to balance the rights of landowners with the interests of all Albertans for responsible oil and gas development. It is interesting to imagine what Alberta might have been like without the EUB to oversee responsible and fair development.

For 2000, we have committed ourselves to issuing 90 per cent of hearing decisions within 90 days of the hearing closure—which will

Operating Officer, Earle Shirley

move to 100 per cent in two years. By tightening up our processes, we hope to serve our public and industry stakeholders with high-quality, reliable, fair, and timely decisions.

What are the prospects for alternatives to the hearing process?

We are looking at finding other tools for resolving industry-landowner issues. After all, we are in a time of high application and hearing loads—it makes good sense to find ways to deal with conflict in new ways that are mutually beneficial. We have a team that is looking at various options concerning the use of appropriate dispute resolution mechanisms. Its report is due in the spring of 2000.

The EUB had a major restructuring in mid-1999. What practical effect has this had on the organization?

I truly believe that the restructuring helped us streamline our business. The EUB looks after a wide range of issues. Having a flatter organization with nine separate branches allows us to focus more clearly on specific issues and to deal with their diversity in a more intelligent way. I think the new structure has also clarified for staff how we are all contributing to the same cause.

What trends are affecting the way we do our work?

We have an industry today that didn't "grow up" with the EUB. There are many more oil and gas companies today than when I began here in 1979. We are also dealing with the highly complex deregulation of the electric utility sector. The industries we regulate are growing and changing, and we must stay ahead of the issues so we can perform our regulatory role.

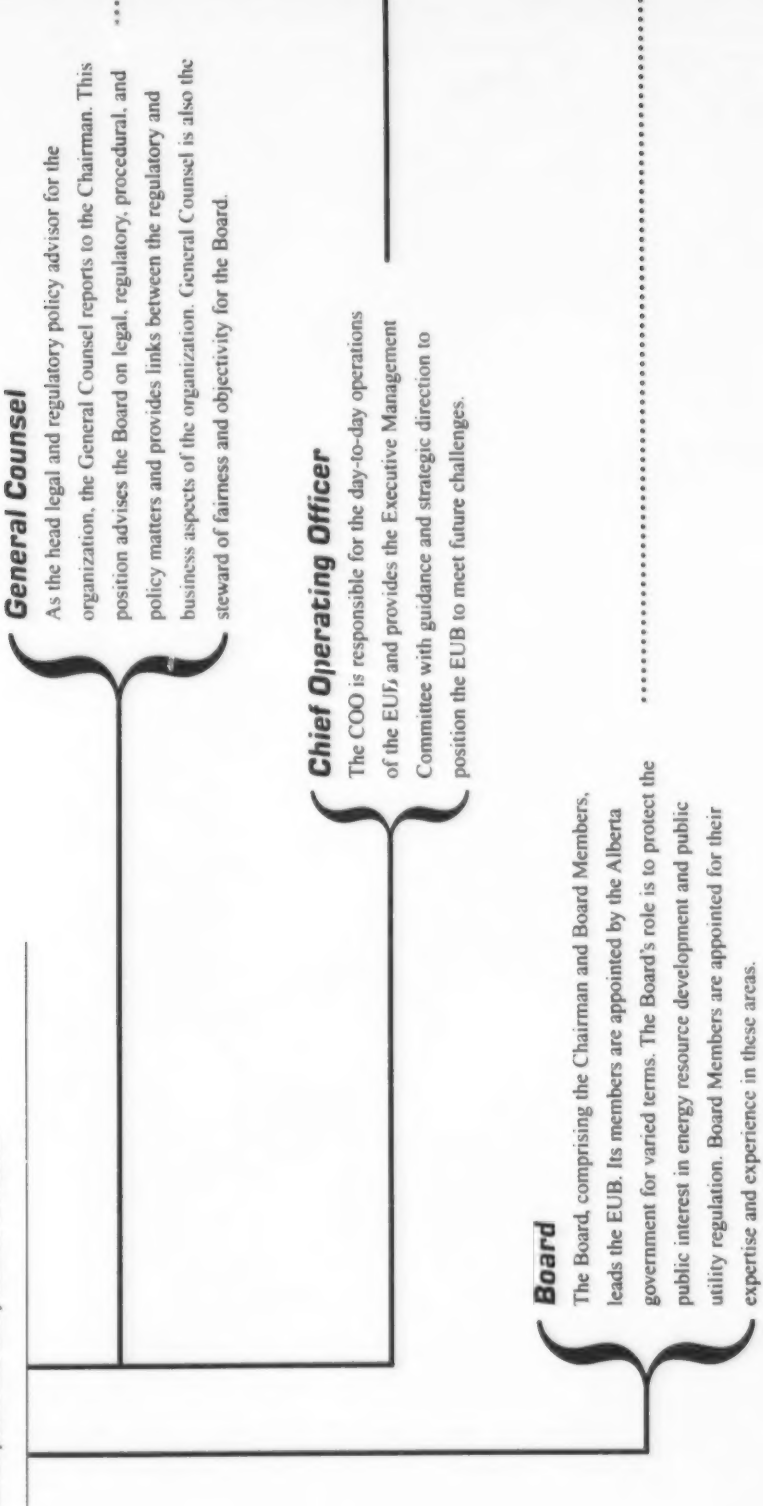
Another trend that has greatly affected us is the information age. New technology has resulted in a more informed public. I won't say better informed, because they don't always get *good* information.

It is our responsibility to provide the public and industry with top-quality information and to keep up with the growing demand for this data. We have focused substantial resources on an initiative through which we will upgrade our information technology systems and equipment and conduct our information business in a more modern, flexible way. ❖

Navigating the EUB

Chairman

The Chairman is responsible for directing and coordinating the EUB's regulatory mandate governing energy resource development and utility matters in Alberta.



Operations

.....

Communication on regulatory and adjudicative matters

Applications

This branch—made up of three groups—provides an integrated, streamlined approach to the processing of some 20 000 energy development applications per year. Staff handle project reviews, audits, and approvals related to new or modified oil and gas facilities, such as wells, pipelines, batteries, and gas plants. The branch also looks after development and conservation projects for oil, gas, oil sands, and coal. Economics staff provide market analysis and socio-economic evaluation for major applications, as well as general economic expertise.

Finance

This branch provides corporate services to the EUB, including building, administrative, and library services, as well as revenue and expenditure management and administration of the industry funding levy. In addition, staff coordinate the preparation of the three-year business plan and performance reporting.

Human Resources

This branch provides services and programs to ensure that a competent and committed workforce is in place to achieve EUB goals and objectives. This work encompasses human resource planning, compensation planning, and organizational effectiveness strategies. Additionally, this branch delivers employee relations, staff development, health and wellness, and recruiting programs.

Information and Systems Services

This branch is responsible for the EUB's information systems, support, and technological infrastructure, with a focus on new ways to deliver electronic commerce. Another core area is the collection and dissemination of energy resource information, including oil and gas production, which is also used to determine provincial royalties, well records, regulatory publications, maps, and various energy databases.

Law

The Law branch provides a wide range of legal advice and services to the organization, with a focus on procedural fairness and objectivity. This encompasses application and regulatory policy, hearings, proceedings, and related internal and external consultations and the formulation of energy and utility regulations and legislation. The branch administers intervenor funding and leads a key advisory committee that advises the Board on decisions and policy matters.

Regulatory Support

.... [This branch coordinates EUB public and environmental affairs. Staff provide advice and implementation for organization-wide regulatory issues, such as environmental protection, public safety, and regional development and cumulative effects. The branch also provides a meaningful focus for communication and consultation strategies and delivers related media, Web site, and document services to keep staff and stakeholders informed about EUB activities.

Resources

.... [This branch comprises the Alberta Geological Survey (AGS) and the Resource Appraisal Group. The Resource Appraisal Group provides independent assessment of oil, oil sands, gas, and coal reserves in Alberta. The AGS provides geoscience research, information, and expertise that support development of the province's mineral and energy resources. Both also provide technical expertise to support the application and hearing processes.

Surveillance

.... [This branch brings together all surveillance, enforcement, technical, and compliance functions related to ongoing operations of Alberta's thousands of energy facilities. Operating out of eight centres, field staff inspect oil, gas, and oil sands facilities, respond to emergencies and public complaints on a 24-hour basis, facilitate resolution of landowner-industry conflicts, participate in public-industry liaison committees, and ensure a consistent approach in dealing with noncompliant operators. The branch also oversees the technical and public safety requirements of drilling and completion operations, production facilities, and oilfield waste and disposal schemes and administers the orphan well and facility program. In addition, staff provide a focus for all enforcement and compliance actions across the EUB.

Utilities

.... [This branch is responsible for regulating investor-owned natural gas, electric, and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. This regulatory role is currently in a state of evolution in light of the ongoing deregulation of the natural gas and electric industries. Staff also respond to customer inquiries and complaints respecting utility matters. In addition, the branch ensures that electric facilities are built, operated, and decommissioned in an economic, efficient, and environmentally responsible way.

EUB Executive Committee 1999

Harry Lillo

Regulatory Support
Branch

Lynda Fleming

Information and
Systems Services
Branch

Dick Batten

Finance Branch

Mike Bruni

Law Branch

Bob Heggie

Utilities Branch

John Nichol

Surveillance Branch

Diane Earle

Human Resources
Branch

Terry Hurst

Resources Branch

Earle Shirley

Chief Operating Officer

Andy Warren

Applications Branch

The Regulatory Frontlines: There's No Escaping Tough Issues

When the EUB peers into the future, it sees issues. Not trends, not fads. No crazes, no whims, nothing that's fashionable for the moment, then gone. Just issues, things that are complex, that need to be carefully examined. Things that are so important they must be dealt with.

During 1999, the EUB launched four initiatives on such specific important issues as

- 1** upstream petroleum industry flaring,
- 2** sulphur recovery and grandfathered gas plants,
- 3** appropriate dispute resolution, and
- 4** sour gas safety.

These all have significant potential impacts for the public, for industry, and certainly for the EUB in balancing energy development within the public interest. One initiative was implemented, while the remaining three were ongoing as 1999 came to a close.

Upstream petroleum industry flaring

On July 29, 1999, the EUB announced the details of new petroleum industry flaring requirements to a packed audience of media and industry representatives. That day, *Interim Directive 99-6* was issued, stating that these strict new requirements would come into effect on January 1, 2000. Over the next couple of days, TV, radio, and newspapers across Alberta explained the same thing to the public.

For the industry as a whole, the new flaring requirements (EUB *Guide 60*) were certainly no surprise. In 1996, the Canadian Association of Petroleum Producers (CAPP) had approached the board of the Clean Air Strategic Alliance (CASA) about the need to review flaring issues. In early 1997, CASA established a Flaring Project Team, which was jointly chaired by representatives from the EUB, CAPP, and CASA. That team presented the EUB with a report and series of recommendations in 1998, resulting in the team winning an Emerald Award from the Alberta Foundation for Environmental Excellence in June 1999. The EUB adopted most of those recommendations in its new flare guide.

But what does it all mean? To Albertans, one clear benefit is that about a thousand solution gas flares have already disappeared from the landscape. A second benefit will be apparent to anyone who has a flare within 500 metres of their residence. By year-end 2000, all flares within

that 500 metre distance must be evaluated and brought into compliance with the new flare performance requirements. Residents living near these flares must be notified by the flare operator as to their findings and plans. An information package about the decision made on that specific flare is required as part of this notification.

Overall, the new flare guide contains more than 70 pages of rules and regulations. The guide is also responsible for one other item that both the industry and the public can look forward to in 2000—a review of how industry is doing with regard to flaring.

A component of *Guide 60* (Section 11, page 57) calls for "industry performance reporting" on progress made to reduce solution gas flaring. To accomplish this, the EUB will compile and publish a summary of flare and vent emission information annually via the EUB Web site (www.eub.gov.ab.ca). The information will include

- distribution of annual flared volumes for the various types of flaring,
- overall provincial solution gas conservation,
- a comparison of industry performance with the provincial reduction schedule,
- a ranking of individual companies' performances on provincial solution gas flaring province-wide and by field centre, and
- distribution of gas reported as vented provincially.

For the industry and the public, this annual review will provide a benchmark. Year after year, flaring will be reduced in Alberta. Eventually, only grandmothers and grandfathers will recall the time when many yellow flares burned brightly across the Alberta landscape. And speaking of grandfathers...

Sulphur recovery and grandfathering

In September 1999, a discussion paper for stakeholder consultation was made publicly available on the topics of sulphur recovery and grandfathered gas plants. These are sour gas plants built prior to 1988 that were exempted from new sulphur recovery guidelines introduced that year. Therefore, the existing sulphur recovery approvals were "grandfathered."

In 1988, the EUB believed that either these existing plants had a limited future life span or there were limited environmental benefits to be gained relative to associated upgrading costs. However, times change.

Eleven years later there was a greater awareness of environmental issues, and a number of these grandfathered plants were not only still operating, but some were also expanding. Facilities such as large upgraders also processed sour gas. A third issue was very small gas processing plants that handled less than one tonne of sulphur per day and had no recovery requirements. The 1988 guidelines did not apply to any of these facilities—only to sour gas plants. Clearly, a sulphur recovery review was needed.

The objectives of the review were to update and/or clarify three specifics:

- sulphur recovery requirements for grandfathered sour gas plants,
- the application of sulphur recovery guidelines to other facilities, and
- proliferation guidelines for small gas plants and other facilities.

The EUB began the review by combining public and industry participation with a special advisory committee made up of different stakeholder groups. Wide public and industry participation allowed the review to involve those potentially affected by any regulatory policy change. The more specialist-oriented advisory committee ensured that combined environmental, academic, and technical expertise was presented in the committee's report to the EUB.

Whatever eventual actions are taken by the EUB, this review will result in sulphur recovery guidelines that

- are clearly defined, easily understood, and consistently applied. The current guidelines require a significant degree of interpretation by both the EUB and industry. The eventual outcome will provide greater certainty for all stakeholders, including the public, regarding EUB decisions on the need for sulphur recovery.
- balance public and environmental benefits with costs, including impacts on resource recovery. Recommendations arising from the review will be justified in terms of potential benefits (economic and environmental) and costs to all stakeholders.
- are based on precautionary principles. Available information indicates that air quality guidelines for sulphur emissions are being met in Alberta at current emission levels. It is expected the review will therefore focus on the precautionary principle of minimizing emissions of all potentially harmful substances to the extent practical, even in the absence of specific evidence of adverse impacts.

Appropriate dispute resolution

In 1980, the EUB handled 12 000 applications per year; today it handles more than 20 000. More than one million new residents have come to call Alberta home. Is it any wonder that there are more issues to be dealt with between the public and the industry?

Disputes between residents and petroleum companies seem to be increasing in number and intensity. These disputes are significant because they have the potential for long-lasting negative effects on landowner-industry relationships. As well, significant time and resources are often required to resolve these disputes.

Enter the EUB's appropriate dispute resolution (ADR) initiative, which will develop processes to improve EUB facilitation and introduce appropriate dispute resolution into the EUB application process. The goal is to improve overall satisfaction with the process by adding the option of using ADR techniques. This initiative is similar to the grandfathering review in that it involves public and industry input, as well as having formed an advisory committee made up of key stakeholder groups. In October 1999, a consultation document was prepared to launch the initiative and was released publicly in early 2000.

Appropriate dispute

resolution provides effective tools that permit those directly involved in a dispute to clearly understand each other's concerns, jointly discuss issues, and search for mutually acceptable solutions.



Simply put, ADR will provide effective tools that permit those directly involved in a dispute to clearly understand each other's concerns, jointly discuss issues, and search for mutually acceptable solutions. However, this initiative isn't the only recognition of this issue. In response to public concerns, both industry and the EUB have already initiated some approaches to improve the situation, including:

Companies

- early, proactive, and interactive consultations between potentially affected parties
- use of interest-based negotiation principles
- involvement of senior decision makers in appropriate dispute resolution
- use of independent, third-party mediators
- establishment of ongoing expectations for effective public consultation

EUB

- increased involvement of field and applications staff in a facilitation role
- requiring companies to bring senior decision makers to continue negotiations
- proposing that companies hire third-party mediators to resolve disputes
- improved audit and enforcement procedures
- ongoing discussions to explain expectations for effective public consultation

Other organizations

- Canadian Association of Petroleum Producers (CAPP) initiated the Industry Landowner Relations Taskforce and prepared a Guide for Effective Public Involvement.
- Farmers Advocate implemented a Mediation and Arbitration Process.
- The Calgary Chamber of Commerce, Canadian Association of Petroleum Landmen, Small Explorers and Producers Association of Canada, CAPP, and the Petroleum Joint Ventures Association

began a process of improved appropriate dispute resolution mechanisms and contractual provisions to better address company-to-company disputes.

- There are many community advisory groups (e.g., Sundre Petroleum Operators Group) working closely with industry operators in developing long-term solutions on a regional basis.

As 1999 ended, the ADR initiative was seeking stakeholders' views on the following questions

- What type of appropriate dispute resolution process should be tried and when?
- What role should EUB staff play?
- How might costs be addressed?
- How should we link appropriate dispute resolution processes to the EUB applications process?
- How can issues of disclosure of information, confidentiality, and enforcement be handled?

As part of this initiative, an advisory committee will work with consultants in developing a framework of appropriate dispute resolution tools. Implementation is planned for fall 2000 and can be monitored on the EUB Web site.

The EUB's regulatory role puts it in a unique position to hear and deal with public concerns and disputes regarding oil and gas operations. Through this initiative, the EUB will encourage companies and residents to take advantage of the appropriate dispute resolution tools and techniques available to them and will assist in appropriate dispute resolution when necessary.

Sour gas safety review

Finally, we turn to what is perhaps the EUB's most important new initiative—the sour gas public safety review. Expanded public awareness and concern with energy industry safety and operational issues, industry growth, and rising volumes of sour gas production have combined to make sour gas development one of Alberta's key regulatory issues.

As a result, the EUB launched a sour gas safety requirements review, including a comprehensive public consultation process, to assess safety

measures used when developing sour gas resources. These include emergency response preparation and setback requirements. A setback is the minimum distance allowed between a sour gas facility, such as a pipeline, and the nearest residence or occupied area, such as a campground.

To incorporate the views of all stakeholders, a Provincial Advisory Committee on Public Safety and Sour Gas was envisioned in 1999 to review public safety-related requirements applying to the approval, development, and operation of sour gas facilities.

The committee was formed in early 2000, chaired by former ERCB Chairman Gerry DeSorcy. It consists of representatives from the public, the University of Alberta, land developers, various provincial and municipal governments, and oil and gas companies. Its mandate is to

- review public safety-related requirements currently being applied to the approval, development, and operations of facilities respecting Alberta's sour natural gas resources,
- identify and examine relevant issues, and
- make recommendations to the EUB.

"By involving such a broad range of stakeholders and addressing their concerns, we hope to make the regulatory process simpler and more representative of the needs of all Albertans," EUB Chairman Neil McCrank said.

It is expected the committee will hear the viewpoints of thousands of Albertans on this issue, delivering a report and series of recommendations to the EUB in late 2000.

For regulatory agencies like the EUB, dealing with issues is truly the reason for their existence. In 1938, one of our predecessors, the Petroleum and Natural Gas Conservation Board, was born largely to deal with a single issue—huge flares of natural gas and the subsequent negative impact these had on oil reservoir pressures. Over the past six decades, the EUB has dealt with thousands of such issues, and there is no reason that will change in the future. ♦

EUB Enforcement Process Shows High Industry Compliance

How do you referee a game with more than 1200 players on the field? That's a question the EUB faces when it comes to enforcement actions against energy operators who do not comply with regulatory requirements.

An overview of enforcement

In 1970, the EUB dealt with 70 energy companies in Alberta. Today, there are more than 1200 corporate entities registered as licensees by the EUB and more join in on the action every year. Overall, the EUB believes that Alberta's energy industry should be self-correcting, not self-regulating. As one way to help the EUB referee the industry, the EUB has implemented a concept over the past four years known as enforcement ladders. These establish guidelines for EUB enforcement actions against energy operators that are not in compliance with regulatory requirements.

Initial enforcement action is determined by the severity of the non-compliance event or issue and is escalated up the enforcement ladder for repeated noncompliance or failure to respond to EUB direction.

Enforcement ladders consist of three categories—minor (lowest), major, and serious (highest)—and four escalating enforcement levels, from 1 (lowest) to 4 (highest) within each category. The EUB determines the severity of the noncompliance, enters the company at the appropriate rung of the ladder, and begins enforcement actions. A company then either corrects the problem to the EUB's satisfaction or the EUB begins applying the series of four escalating consequences to the company.

The EUB also records performance measures that illustrate industry's compliance with various EUB requirements. The following table shows enforcement results for five EUB programs:

Program Name	Overall Industry Compliance Average
Long-Term Inactive Well Program (1)	85%
Avoidance of Overproduction (2)	96.7% August-December 1999
Pressure and Deliverability Testing (3)	Oil Wells 92.6% Gas Wells 84.6%
Packer Test Program (4)	97%
Production Accounting (5)	Statements Error Free 97.7% Not Late 99.5%

(1) The Long-Term Inactive Well Program focuses on elimination of wells that have been suspended or inactive for 10 or more consecutive years.

(2) Overproduction control is an essential mechanism used by the EUB to optimize resource recovery and preserve equity among lease-holders where conservation risks are present.

(3) EUB *Guide 40* (second edition) covers the regulation of all aspects of pressure and deliverability testing and applies to all oil and gas wells in Alberta.

(4) In *IL 94-1A*, the EUB specifies the testing and reporting requirements for all wells required to be equipped with a production packer to isolate injected or produced fluids from the production casing.

(5) The Oil and Gas Conservation Act requires oil and gas operators in Alberta to file a series of monthly statements to allow the EUB to maintain accurate records of each well's production.

As you can see, overall, Alberta's petroleum industry strives to comply with EUB rules, regulations, requirements, and programs. The EUB has many enforcement tools available and makes use of all of them, such as

- noncompliance fees,
- closing deficient applications,
- charging interest on monies owed,
- suspending operations, such as gas plants or production,
- suspending or rescinding licences,
- considering the company's serious noncompliance record when deciding to approve or deny applications,
- retroactively correcting data,
- removing credit privileges, and
- ordering the forced abandonment or closure of wells or facilities.

An enforcement example in action

Production Accounting is an excellent example of the EUB applying noncompliance fees to an enforcement issue.

In the late 1990s, the EUB noted increasing errors in production accounting statements that industry must file monthly. Known as "S" reports, they are used to maintain an accurate historical record of each well's production. Among the many uses of the data are royalty calculation and verification, which ensure that the citizens of Alberta receive their share of this natural resource.

With more than 107 000 active and capable oil and gas wells in the province it is critical that the data gathered by companies be as accurate as possible and be relayed to the EUB in a manner that is also accurate and timely. The EUB was concerned that in some cases neither reporting accuracy nor timeliness was occurring.

To address the serious costs and quality issues caused by late, inaccurate, and inefficient filing of oil and gas production data, a five-level enforcement ladder policy was implemented in 1998, which included a schedule of noncompliance fees. These range from \$100 to \$1000 for each error or problem.

To give industry time to correct their errors and processes in order to comply with the new enforcement ladders, the EUB sent out "shadow bills," which were basically nonpayable invoices. This "dry run" told companies the amount of penalty they would be charged for data errors or late filing when the noncompliance fees came into official use. The tactic was very successful, and the industry responded in a professional manner.

- For 1999, the EUB received 271 526 S-1 and S-2 reports. Of these
- only 1402 were received late, for a compliance rate of 99.5 per cent,
 - only 6203 errors were found, for a compliance rate of 97.7 per cent.

This compares to an overall compliance rate of only 80 per cent prior to the introduction of the noncompliance fees. Clearly, this is a significant success for the EUB and the Alberta petroleum industry.

The goal of the EUB is an efficient, accountable energy industry that desires compliance as part of its corporate culture and recognizes that the cost and impact of noncompliance is too great to ignore. These recent results show that Alberta's petroleum industry works diligently to remain in compliance with EUB rules, regulations, programs, and initiatives. ♦

Utility Regulation in Alberta: Striking the Right Balance in a Changing World

In regulating the Alberta utility and energy sectors, the EUB must be mindful not only of its legislated responsibilities, but also of the changing circumstances that are a feature of modern society. These changes can arise from advances in technology, statutory changes, and societal trends. In utility regulation, adapting to some of these changes made 1999 a landmark year for the EUB.

Natural gas pipeline tolling and tariff rates

"Changing market conditions and increased competition require a new approach..."
—EUB News Release, February 2000 (reflecting 1999 reviews and decisions to NGTL)

Nova Gas Transmission Ltd.'s application was the subject of an EUB public hearing held in the fall of 1999. It represented a fundamental change in Alberta's "postage stamp" rate design that has been in place since 1980.

The postage stamp rate design means that all customers transporting natural gas to Alberta border delivery points pay the same rate regardless of the distance travelled within Alberta. The Board's decision, issued in February 2000, replaced postage stamp rates with a new rate design that better reflects the cost associated with distance and pipeline diameter. These are called receipt point specific rates.

Postage stamp tolling has been effective in enhancing the development of Alberta's natural gas reserves over the past 20 years, especially in remote areas. However, the Board concluded that changing market conditions and increased competition in natural gas transportation required a new approach.

Electric utility rates

"The new rates represent the first allocation of costs between customer categories since electric restructuring commenced in 1996. The new rates more fairly pass on costs to all electric industry customers, reflecting market conditions that exist in Alberta's electric industry."

—EUB News Release, March 1, 2000 (reflecting 1999 reviews of TransAlta)

Since 1996, the EUB has dealt with many issues surrounding the functional separation of the generation, transmission, and distribution components of the electric industry. This has been a clear transition period from the "old world" of electric utility regulations to a restructured and more deregulated industry. Notable features of the "new world" environment include more companies involved in generating electric energy and more customer choice in selecting energy suppliers.

Guideposts for new utility regulation: customer choice and cost accountability

To be an effective regulator, it is important that the EUB considers the relevant market conditions and environment of the day. The evolution of utility regulation in Alberta, as in other jurisdictions, reflects two clear emerging trends: the trend to offer more customer choice and the trend towards a more focused cost accountability. Instances of "revenue subsidies" from one area or process that are used to support other areas are being reduced or eliminated.

Utilities have had to narrow their focus, sometimes as a result of legislation and the mandated "unbundling" of large integrated companies, and sometimes as a result of changing market conditions.

Concerning pipeline tolls and tariffs, the new system means that the price associated with a given pipeline service will more accurately reflect the costs needed to maintain that particular service. Also, those who want to use pipeline services (i.e., gas producers) will have more choices.

Similarly in electric utility deregulation, rates will be aligned and related more precisely to the specific electric utility sector that provides a particular service. As a result of changing legislation and government policies, the retail market for electricity will gradually develop over the next few years. More customer choice is slated to begin in 2001, when it will be possible for individual residential customers in Alberta to choose their specific electricity retailer.

Customer choice and a changing focus in cost accountability are expected to continue well into the next decade. Adapting to these changes will present some interesting challenges, not only for the EUB and the utilities we regulate, but also all Albertans. ♦



A New Strategy for the Alberta Geological Survey



People tend to focus on Alberta's oil and gas reserves as a key driver for the provincial economy, and rightly so: it has been estimated that 40 per cent of economic activity is directly or indirectly derived from oil and gas development. As a result, many of Alberta's oil- and gas-prone areas have been mapped geologically.

On the other hand, development of Alberta's other mineral resources is truly in its infancy, with just 4 per cent of the province adequately mapped for exploration purposes.

To encourage development of both energy and mineral resources, the Alberta Geological Survey (AGS) has a mandate to provide the information necessary to develop the province's resources in a responsible and timely manner. The AGS collects, compiles, and generates geoscience data that identify areas of Alberta prone to certain types of deposits, such as oil, gas, coal, diamonds, gold, and base metals like zinc and lead.

In 1999, the government committed additional funding to the AGS to increase geological mapping and geoscience studies related to mineral resource development. The goal is to diversify Alberta's economy by better mapping the province geologically and encouraging mineral developers to more thoroughly explore areas with potential.

"This announcement marks the first time the government has committed to a comprehensive assessment of Alberta's mineral resource potential," says Rick Richardson, manager of the AGS.

Minerals known to have geologic potential in Alberta are diamonds, gold, titanium, zirconium, platinum, vanadium, iron, lead, zinc, nickel, and uranium.

Currently, the AGS is participating in a number of related projects, including

- reconnaissance studies for diamonds and base metals in northeastern Alberta,
- industrial mineral and aggregate maps for the Kakwa-Wapiti area of west-central Alberta and the Fort McMurray area of northeastern Alberta, and
- mapping of formations in the Cypress Hills region of southeastern Alberta that supply raw materials to the last brick manufacturing operation in western Canada.

The goal is to diversify Alberta's economy by better mapping the province geologically and encouraging mineral developers to more thoroughly explore areas with potential.

The AGS also conducted the Mineral Resource Infrastructure Study, Northern Alberta, which was funded through the Western Economic Partnership Agreement (WEPA) to encourage minerals development in northern Alberta. WEPA is jointly funded by the Government of Alberta and Western Economic Diversification, a federal program.

In 1999, the AGS continued its work on the energy side as well as performing research and participating in a number of projects, such as

- CO₂ injection and enhanced coal bed methane (CBM) production from coal beds, a project supported by the Alberta Research Council,
- characterization of the Athabasca oil sands reservoirs, with application to steam-assisted gravity drainage (SAGD) processes,
- characterization of aquifers in the Athabasca area for water supply and protection (another project funded by WEPA), and
- assessment of the suitability for CO₂ injection in underground formations in Alberta (also funded by WEPA).

Development of oil sands and CBM is expected to grow in importance this century, as more and more of Alberta's energy is derived from its massive nonconventional resources. Alberta's oil sands areas are estimated to contain over 47 billion cubic metres (m³) of recoverable oil using current technology. The total potential of CBM production has been estimated at about 5.3 trillion m³. To put these numbers in perspective, consider that Alberta's total oil and natural gas liquids production in 1998 was just over 119 million m³ and natural gas production was 137 billion m³.

The projects looking at injection of CO₂ are also important, given the increasing efforts to limit the release of greenhouse gases into the atmosphere. By injecting CO₂ into stable reservoirs deep underground or using it to stimulate low-pressure oil and gas deposits, significant environmental and economic benefits may be realized.

As part of the EUB, the AGS also lent its expertise to two oil sands-related hearings: Imperial Oil's application to expand its Cold Lake project in 1998 and Gulf Canada's application in 1999 to shut in gas production at its Surmont oil sands development. ♦

A Commitment to Timeliness

Hearing decisions—90 per cent in 90 days or less

In the past few years, public and industry stakeholders told us that hearing decisions were taking too long. In 1999, the Board set a course to respond to this input. Starting in April 2000, the EUB will deliver 90 per cent of all hearing decisions within 90 days of the end of a hearing. This goal is to move to 95 and then 100 per cent in 2001 and 2002 respectively. Most important, the so-called 90/90 rule must maintain or enhance the current quality of decisions.

Getting ready to deliver on the 90/90 rule

In the summer of 1999, the EUB reorganized its 650 staff into nine branches. One of the objectives was a structure that would align the many processes involved in hearings and decisions.

The Applications Branch, for example, now provides an integrated approach to processing more than 20 000 applications per year. Just over 100 staff handle the review of all above- and below-ground projects related to oil, gas, pipelines, oil sands, electricity, and coal. Even though less than 1 per cent of applications result in hearings, this consolidation was a significant first step in streamlining the process leading to decisions. (For now, utility applications are handled in the Utilities Branch but are subject to the same 90/90 rule.)

Understanding the details of the hearing and decision process

In 1999, EUB staff also began to analyze the hearing process in detail to see what could be improved. What became apparent was that there are no obvious big "hits" that would significantly reduce hearing time. Instead, we would have to make gains at every step, shaving off hours and days all along the way.

For example, it is clear that booking panel members to serve on back-to-back hearings does not leave enough time for a panel and its hearing team to meet while everything is still fresh in their minds. To improve this situation, we may have to make better use of the EUB's 30 examiners. These are experienced senior technical staff who can serve on hearing panels. The only difference between an examiner panel and a Board panel is that the Board must ratify the examiners' decision report. In addition, we are striving to minimize assignment overlap for hearing coordinators and staff specialists, allowing them time to focus on and complete decision work before moving on to the next hearing.

A single focus for improvements

Another result of the 1999 analysis was the creation of the Senior Applications Officer position to marshal resources needed across the EUB to make 90/90 a reality. The priority for 2000 will be to apply rigorous project management skills to all aspects of the hearing and decision process.

Another challenge will be to clarify the roles and responsibilities of all involved, from the person booking a hall to panel members, legal counsel, and report editor. The Senior Applications Officer asked all staff to submit ideas for improvements, both large and small.

Revising the rules for hearings

For its part, the Law Branch started work in 1999 to review the rules of practice for hearings. As a quasi-judicial body, the EUB must ensure that a hearing is governed by rules that are fair and clear to everyone involved. The hearing process must pay careful attention to evidence and still be flexible enough to accommodate ordinary people. The new rules of practice—scheduled for Board review in the spring of 2000—should support the timeliness and quality of the process.

The EUB Law Branch launched a review of intervener funding in October 1999. In existence since the 1970s, the funding program helps ensure a level playing field for people who want to participate in a hearing. It reimburses people who may be directly affected by a proposed development for reasonable costs, such as lawyers, technical experts, and travel. The project applicant pays the intervener costs.

With an extended deadline for stakeholder submissions set for the end of January 2000, recommendations are expected to go to the Board in the fall of 2000. The goal of the review is to clarify a number of issues related to the funding efficiency of the overall hearing process, and in particular those associated with costs awarded to local interveners who participate in energy and utility applications and hearings.

How we fared in 1999

One of the most important accomplishments was to clear out a backlog of decisions related to complex applications and lengthy hearings. Including this backlog, the Board was able to achieve the 90-day target for decision turnaround for about 50 per cent of hearings.

The 90/90 target is challenging, but staff agree that the timeliness and quality of hearing decisions are important standards by which Albertans judge our performance in serving the public interest. ♦

Analysis of 1999 Decision Trends

Out of a total of 20 450 applications in 1999, the Board held 44 hearings, up from 39 in 1998. This included 33 energy and 11 utility hearings. There were also 7 prehearings.

The Board issued 31 energy-related decisions, 15 utility decisions, and 8 memorandums of decisions from prehearing meetings in 1999. This total of 46 decisions (not including memorandums) was down from 53 the previous year.

Some applications that were denied included

Decision 99-03: Matrix Resources applied to have 237 well licences, 28 pipeline licences, and 6 facility licences transferred to its control from Legacy Petroleum, which was in bankruptcy proceedings. The receiver argued that no transfer could be made without its permission. The Board agreed and denied the application.

Decision 99-09: Rio Alto Exploration applied to install three additional gas compressors at its sweet gas processing facility in the McLeod field to fully utilize the plant's existing processing capacity. The Board found that Rio Alto had not adequately demonstrated the need for the proposed expansion or that the current plant operations were consistent with EUB noise requirements. The Board also had concerns that the company's public consultation program had not met general EUB expectations for new applications.

Decision 99-30: Stampede Oils applied to drill a level-1 sour gas well 3 km north of Millarville in the Turner Valley Field. The application was denied after Stampede failed to adequately address safety concerns specific to the area and because of the company's inadequate public consultation efforts.

Some noteworthy decisions included

Decision 99-16: Canadian 88 applied for a licence to drill a level-4 critical sour gas well in the Lochend Field, about 8 km northwest of Calgary. The Board held its approval in abeyance until Canadian 88 fulfilled 18 conditions primarily focused on emergency planning and submitted its preparations to the Board for review. As of March 31, 2000, the company was working toward fulfilling the conditions.

Decision 99-18: Range Petroleum applied to drill a sour oil well directionally to a bottomhole location under Sturgeon Lake, about 80 km east of Grande Prairie. The Board ruled that given the unique setting of the area, including the residences and the configuration of the roads and lakeshore, and the difficulty that would exist in preparing an effective emergency response plan (ERP), it would defer its decision until an approved ERP was in place. As of March 31, 2000, Range had not submitted an ERP for Board approval.

Decision 99-24: The EUB conducted a public inquiry into an operational review of the Shell Canada Cardondale pipeline system. There were two pipeline failures; one in 1995, and one in 1997. After the second failure, the EUB determined that an inquiry was warranted. The inquiry addressed corrosion, integrity, impact, communication, and community relations. The Board reached several conclusions, one of which was to have Shell reconfigure the Cardondale system so that Junction J could be removed from the Screwdriver Creek Valley.

Decision 99-29: Canadian 88 applied for an amendment for the Olds Garrington sour natural gas processing/sulphur recovery plant to revert to its previous status and reduce the plant's authorized gas and sulphur processing capacity accordingly. The company also asked for an amendment to delay expanding the plant until June 30, 2002. The Board granted the request to reduce the plant's maximum gas and sulphur intake. But in keeping with interveners' requests, the Board required Canadian 88 to upgrade the plant's sulphur recovery efficiency to at least 98.4 per cent on a quarterly basis and 98.7 per cent on an annual basis by October 31, 2000.

Decision Statistics

Energy decisions

- The average length of time between an application's filing and hearing was 257 days. (This figure was skewed by 6 applications that each took more than 400 days to process.)
- The average length of an energy hearing was 2.9 days, the same as in 1998.
- Of the 33 energy hearings held in 1999, 19 decisions were released in less than 90 days, in an average of 54 days. The other 14 energy hearings took an average of 159 days after the hearing for a decision to be released. This number was affected by several highly complicated applications, including Canadian 88's Lochend application, which took 420 days to be issued.

Utility decisions

- The average length of time between application and hearing was 147 days.
- Of 11 utility hearings, 4 decisions were released in less than 90 days, in an average of 58 days. The other 7 decisions took an average of 186 days to be released after the hearing.

On Being an Intervener at an EUB Public Hearing

For someone who has never been a participant in a public hearing, the process can be a bit daunting. Having worked with hundreds of interveners over many years, here's what we believe a typical hearing might be like from the perspective of an ordinary landowner.

It's 8:45 a.m., just 15 minutes until the hearing starts. Inside our community centre, people with briefcases have their heads together. Neighbours greet each other.

A woman in a blue suit is setting up a machine that looks like an old-fashioned adding machine. She must be a court reporter. She will record every single word, I'm told. Someone is testing microphones.

The room setup isn't anything like a community meeting. At the front is a table with three empty chairs facing the audience. At right angles are two longer tables facing each other across the room. Company representatives sit on the right and EUB staff along the table at the left.

(I know because I've met some of these people during the many months that have led up to this hearing.)

I am an intervener, along with two of my neighbours. Facing forward is a table where we'll be sitting. Our lawyer and technical experts are with us, but I feel nervous and strong all at the same time. I'm just not convinced that I want a sour gas well on our land.

At exactly nine o'clock, the three panel members sit down. (A few people rise, just like a court.) Then the person in the middle—the panel chairman—goes over the process step by step.

The applicant—that's the company—goes first

After a few opening remarks, company representatives begin to explain the proposed project. I have read the application, going over and over it with our technical experts. I understand that there is a good chance of finding valuable sour natural gas 5000 metres down, right under the land our family settled and has farmed for three generations.

The lawyer explains how the company bought the mineral rights from the Crown. (It's odd to think of natural gas as a mineral, like zinc

or gold.) We own the land on the surface, but the minerals belong to the province. He reminds us that when the government leases these mineral rights, the company is entitled to "win the minerals," as long as the EUB approves. (Is he really saying we can't prevent it?)

The company people make a point of explaining how the project meets all the safety and environmental requirements set out by the EUB and other government departments. The lawyer goes on to say that the well will have minimal impact on our land.

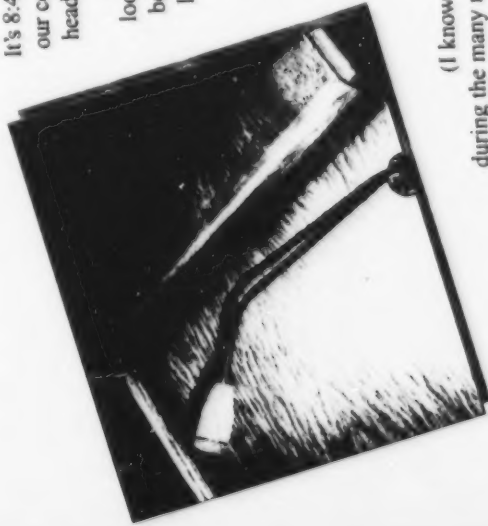
I know full well that Alberta's economy—jobs, roads, and education—relies on energy resources. The company has been out to talk to us about our concerns, but they don't seem to understand that we expect to have a real say in something this important. They haven't convinced us that this well is needed, that it is the only location possible, that they've thought through all the safety aspects, and that they know the full extent of what may happen if the well is successful.

The company lawyers finish talking. Then suddenly, I hear our name. "Ms. Jones—that's our lawyer—you will have an opportunity to make a presentation later, but, at this time, do you have any questions for the applicant on behalf of the interveners?"

I've worked closely with our legal advisers, and it's good to hear all the questions we asked before being aired in this formal setting.

"Your application claims that the well will have minimal impact. Did you consider that the access road would cut right through a prime pasture? What ways did you consider to reduce the extra work to farm around the well site?"

"Did you realize that there is another family whose main lane way would be inside the emergency planning zone for this well? What other well locations did you consider? Why didn't you ask the nearby residents for input on the location before you decided on this specific one?" (The reply is a detailed explanation about spacing requirements and geological trends.)



I remember when I first considered taking our objections all the way to the hearing stage. I was worried about the time, money, and experts we would need. As a "local intervener," I found out we were eligible for intervener funding. We could claim the costs of collecting evidence, telephone calls, writing our submission, and, most important, our technical experts.

As for compensation for the disturbance of our land, I've learned that the EUB never decides such matters. That will happen between ourselves and the company once the Board decides about the application. Alternatively, we could ask for a hearing before the Alberta Surface Rights Board should we fail to reach agreement on compensation issues.

Then the panel chairman says it's time for the presentation by the interveners, and it's our turn.

Our arguments are straightforward: We don't want the well! But if it is going to go ahead, we want meaningful discussion of what's important to us. Find ways so we can't see and hear the well. Bring the access road in from a nearer side road. (And, while you're at it, put in a good, solid gate.) And we want them to enlarge the emergency planning zone to include the neighbours who are just outside the arbitrary line on the map. We want someone available from the company—not just the drilling contractor—during the entire drilling time.

Our technical team presents information on a wide range of geological, risk, and safety evidence. They make key points about future development that may stem from this one well site. From what we've learned, there are always different viewpoints on things, even when science is involved.

It's important to stay focused as we go through the questions from the company, the EUB staff, and the panel members. But, I guess that's what makes the process fair to everyone. During a break, we all agree

our lawyer is making points on our behalf. "If you are successful and find sour gas, what else can we expect? More wells? A pipeline? Vehicle traffic on a regular basis? How noisy will this operation be? And what about flaring and testing the well? How will you manage emissions?"

I'm listening carefully and I hear a willingness on the part of the company that wasn't there before to adjust their plans. I pass a note to our lawyer. She keeps the questions going. "Your survey plan shows that this well will be in view of the landowner's home. Do you have any flexibility to screen the site so it wouldn't be so visible or noisy? (Good heavens, what is going on? It sounds like we want this well.)

Our lawyer finishes by saying that this sure doesn't sound like "minimal impact." I hope her questions have brought out enough evidence for the EUB panel. I've learned that, like a court, the EUB must make its decision based on evidence, not just the fact that we may not like this development at all.

I glance at the clock. The morning has vanished. We adjourn for lunch.

When we come back together, EUB staff take their turn. They ask a lot of questions about geological data, target zones, other possible locations, and costs and options for drilling directionally too.

They get very specific about sour gas release rates and ask what existing wells the applicant used in the area to come up with its estimates. What techniques did it use for assessing the risks? Did it model what would happen if it lost control of the well? Even the panel members ask questions.

Now it's our turn to make our intervention

The panel chairman indicates that he has our submission and we will label it as "Exhibit 6."

This part seems more difficult than asking questions. Our lawyer gathers us together and leads us through where we live in relation to the proposed well, how we believe this project would affect us, and what our main concerns are.

I found out early that you have to be "directly and adversely affected" to ask for a hearing. Usually the EUB takes this to mean someone who owns or occupies the land where the well will be drilled. However, in our case they did expand the meaning to include everyone who lived within the 4 kilometre emergency planning zone.



EUB Hearing Procedure

that the going is tough but that, working together, we seem to be getting our message across.

Late on the second day, we're almost through. The only thing left to do is make final arguments. It's the last chance for the company and the lawyer for our group of interveners to tell the panel how we believe they should decide this matter.

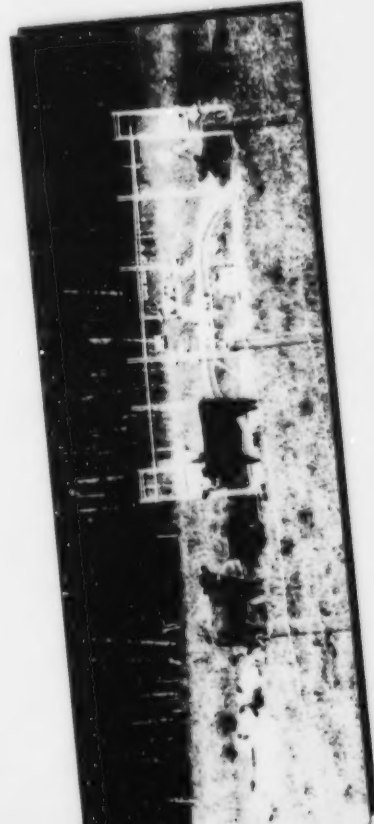
The chairman says the panel will consider all the evidence and prepare a written decision in due course. The hearing adjourns and the waiting begins.

Did we win or lose?

Nine weeks later, we get a call from our lawyer's office that the decision report has been released. A courier delivers a copy to our home, and the decision is "approval with conditions."

I'm not sure that we came out of the experience any better off. It took a lot of time and effort, but the EUB people took the time to hear us. It wasn't as formal as a court proceeding—the panel was flexible about how we said things, while making sure the process stayed fair and on track.

The compensation for the well site will be helpful, but we'll have to live with industrial development for decades to come. I suppose, though, that we did influence what the company intended to do. I feel good about that. And I think we have the basis for how we will work together in the future. I guess, in the end, that's important, too. ❖



A. Opening Remarks

- Explanation of purpose of hearing or application(s)
- Introduction of panel and staff
- Summary of notice given regarding the proceeding
- Participant registration

B. Preliminary Matters

- Consideration of procedural matters or motions

C. Applicant (Application)

- Filing of applicant's documents as exhibits
- Introduction of applicant's panel and qualification of experts
- Applicant's direct evidence

- Cross-examination of applicant by
 - interveners in order of registration
 - Board staff
 - Board panel
- Redirect of evidence

D. Interveners

- Filing of intervener documents as exhibits
- Introduction of interveners' panel and qualification of experts
- Intervenors' direct evidence
- Cross-examination of interveners by
 - applicant
 - interveners in order of registration
 - Board staff
 - Board panel
- Redirect of evidence

E. Rebuttal Evidence by Applicant

- Applicants may present rebuttal evidence to address new points raised by the interveners' evidence.

F. Final Argument or Summation

- Participants present the most important aspects of their issues and what decisions they feel the panel should make.
- The applicant may respond to interveners' arguments.

G. Closing of Hearing

- Panel chair closes the hearing and announces that a decision will be released at a later date.

H. Decision Report

- In its decision report, the Board provides background information on the project(s), reviews all evidence and positions of the parties, explains its conclusion on each of the issues before it, and sets out the disposition of the application. The decision report is distributed to all registered participants and is made available to the public.

Decision Framework Initiative: Bringing IT into the Business Plan

Some of the more ambitious goals the EUB has set for the coming year are to improve the understanding of its role, provide better access to information, and increase the efficiency of the hearing and applications processes. On the surface, they seem very different. In reality, they are linked by the basic way that groups within the EUB interact with each other and the general public.

With the proliferation of e-commerce, Internet use, and computers in general, the role of information systems (IS) and information technology (IT) has grown substantially over the last ten years. It follows that how IS/IT and business work together is one of the most critical relationships in any successful organization. This applies even when the business is that of regulation.

In general, IS/IT departments traditionally have operated as poorly understood hardware and software support groups within the organizations they serve. On the flip side, IT professionals often don't require more than a basic comprehension of what makes the larger organization tick. As a result of this two-way lack of understanding and overall lack of multiple project coordination, business often works with IT on a project-by-project basis, leading to patchwork solutions and inefficient use of resources on both sides.

In June 1999, Lynda Fleming was appointed as Chief Information Officer for both the EUB and the Department of Resource Development (DRD). She is also the Executive Manager of the EUB's Information and Systems Services branch. One of her major objectives was the alignment of information systems and information technology spending with the business plans of each organization.

With the proliferation of e-commerce, Internet use, and computers in general, the role of information systems (IS) and information technology (IT) has grown substantially over the last ten years.

To improve understanding between business and IT project requirements, a Ministry Information Management Decision Framework initiative was started. This initiative was conducted independently within the EUB and DRD. If frameworks were found to be similar in both organizations, a further step to establish common ministry frameworks would be taken.

The EUB's initiative kicked off in December 1999, with a mandate to ensure that decisions incorporating IS and IT are made from a business perspective and tied to the EUB's business plan.

"The key to this process is changing how people think about the way they do their jobs," says Fleming. "It's more of a culture change than anything else."

The frameworks are being designed to focus investment towards projects that are key to business goals and strategies, to improve the way IT operates, and to manage the benefits that are expected and delivered from the use of IT.

Development of the frameworks will be based on steps taken from December 1999 to April 2000. These included a review of existing IS/IT and business documents, interviews with key personnel to establish issues and priorities, drafting strategic principles, and revising and adopting them in a workshop setting with EUB executive managers.

The EUB and DRD are working through the same process, but not at the same time. The new frameworks will be implemented at the EUB through most of the 2000/2001 fiscal year. ♦



Applications and Publications Summary for 1999

1999 Applications

Wells

- 10 942 new approvals (sweet single well, sweet multiwell pad, sour single well, sour multiwell pad, sour well, critical sour well)
- 346 re-entry (sweet single well, sour single well, sour well, critical sour well)

Production Facilities

- 879 new sweet and sour facilities: oil and gas batteries, satellites, compressor stations, tank farms, pump stations
- 425 modifications to the above facilities

No new sulphur recovery gas processing plants

- 9 modifications to sulphur recovery gas processing plants

Pipelines

- 4055 pipeline permits for new construction
- 3070 amendments to existing pipeline licences

Oil Sands

- 3 registered applications/proceedings for new or expansion of existing mining or plant projects (includes 2 experimental)

- 18 nonregistered applications related to mine or plant operations

- 37 new experimental and primary recovery oil sands schemes

- 5 new commercial schemes

Environmental Review

- 224 sour gas flare permits

Coal

- 38 registered applications for new or modified coal projects

- 41 nonregistered applications related to mining operations

Refineries (oil sands, oil, or gas)

No amending industrial development permits

Reservoir Development

- 2088 applications for reservoir schemes, spacing, commingling, and others

Hydro and Electric

- 73 applications for transmission lines and substations, power plants, industrial system designations, electrification association, and service area change

Utilities

- 34 gas utility applications

- 11 electric utility applications

- 74 special franchise agreements

- 109 other types of applications (rate riders, sale of assets, milk price orders, exemptions)

1999 Publications

Guides

- Guide 7: Production Accounting Handbook
- Guide 38: Noise Control Directive User Guide
- Guide 40: Pressure and Deliverability Testing Oil and Gas Wells
- Guide 52: Electronic Capture of Well Test Data
- Guide 60: Upstream Petroleum Industry Flaring Guide
- Update and Clarifications to EUB Guide 60
- Guide 61: How the EUB Responds to Utility Customer Service Complaints
- Guide 62: Responding to Public Concerns About Oil and Gas in Alberta

Maps

- Map of Alberta Strike Areas (Map 94)

Statistical Series

- ST 99-17: Alberta Oil and Gas Industry Annual Statistics - 1998
- ST 99-18: Alberta's Reserves 1998: Crude Oil, Oil Sands, Gas, Natural Gas Liquids, and Sulphur
- ST 99-28: Alberta Electric Industry Annual Statistics, Province of Alberta - 1998
- ST 99-35: Alberta's Reserves of Gas
- ST 99-40: Alberta's Energy Resources - 1998 in Review
- ST 99-41: Regulatory Highlights for 1998
- ST 99-57: Field Surveillance 1998/1999 Provincial Summaries
- ST 99-60: Crude Oil and Crude Bitumen Batteries, Monthly Flaring, Venting, and Production Data

Reports

- Orphan Fund Annual Report for 1998/99
- Report 98-G: Pipeline Performance in Alberta 1980-1997

From Whence We Came: An EUB Chronology

As the Alberta Energy and Utilities Board gears up for the next century of regulation, we recall our past. The EUB—the oldest regulatory agency in the province—has adapted to many significant changes over the years: some presented by increased industry activities, others by new policy initiatives. The evolution of what is now known as the EUB has been one of the most interesting challenges of all.

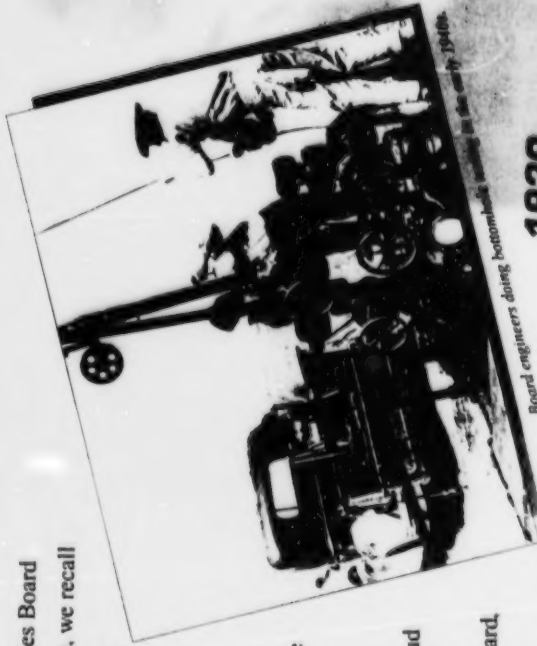
Today the EUB embodies the proud history of three parent organizations—the former Energy Resources Conservation Board, the Public Utilities Board, and the Alberta Geological Survey. The following time line tells the important story of how and why each of these entities was formed and how they eventually came together to form the EUB.

1915

Board of Public Utility Commissioners becomes the first regulatory tribunal in Alberta. Soon to be known as the Public Utilities Board (PUB), it regulates utility rates and service, shares, and securities and approves provincial railway tariffs.



Geologist Dr. John Allan mapped Alberta's resources on horseback in the 1920s. Courtesy of Willem Langenberg, AGS.



Board engineers doing bottomhole sampling in the early 1940s.

1920

University of Alberta's Dr. John Allan, funded by the Scientific and Industrial Research Council of Alberta, forms a one-man geological survey. He begins mapping mountains and foothills, exploring coal fields, and reporting on mineral deposits.

1932

Province forms the Turner Valley Gas Conservation Board to prevent huge waste of natural gas.



1938

Following amendments to federal legislation in 1930 allowing Alberta to control its own energy resources, the Petroleum and Natural Gas Conservation Board (P&NGB) is formed, with offices in Calgary.

One of the only known visual accounts of early well-testing activities, this photo depicts Turner Valley Gas Conservation Board (TVGCB) engineer R. Johnson (left), Mercury Oil's Mr. Cameron (centre), and Royalite's Mr. Phelps gauging naptha at the Mercury No. 1 well. The TVGCB, created in 1932, is one of the EUB's earliest predecessors.

Courtesy of EUB, Elliot Collection



Early day pipeline construction was labour-intensive. Here a 10-man crew digs the trench for pipeline being installed near Cardston, Alberta. Courtesy of the Provincial Archives of Alberta.

1947

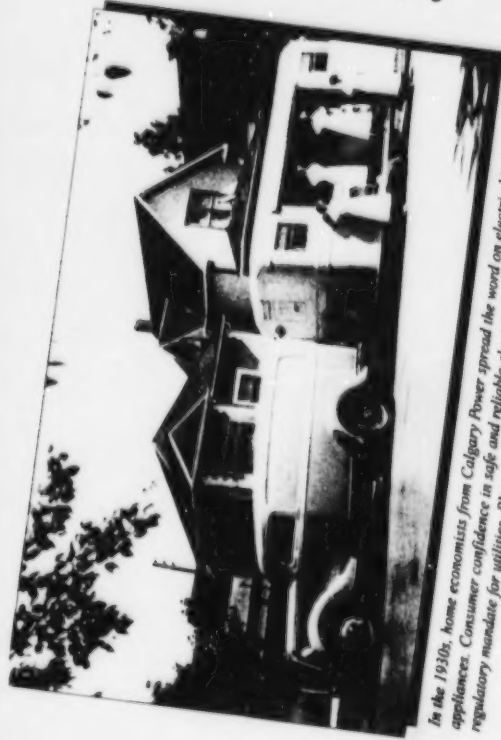
Imperial Oil brings in Leduc #1 well, signalling a period of major revisions to petroleum and natural gas regulation to keep pace with a rush of oil development. The discovery sets the scene for major changes in province-wide geological survey work.

1949

The Gas Resources Preservation Act allows P&NGB to regulate removal of gas from Alberta. The Board also orders conservation of solution gas.

1954

The Alberta Gas Trunk Line Company Act gives the PUB jurisdiction to prescribe rates for natural gas transportation on a complaint basis. (None is received until 1971.) Gas reserves increase and the P&NGB allows TransCanada Pipelines to export gas from Alberta for the first time.



In the 1930s, home economists from Calgary Power spread the word on electric kitchen appliances. Consumer confidence in safe and reliable electricity has always been key to the EUB's regulatory mandate for utilities. Photo courtesy of the Glenbow Archives, Calgary.

1960

The new Gas Utilities Act expands the PUB's jurisdiction. In the next decade, newly created boards will take over PUB responsibilities related to municipalities, milk control, and surface rights compensation.

1971

A major expansion in the jurisdiction of the O&GCB gives it regulatory control over coal, pipelines, and hydro and electric projects, in addition to oil, gas, and oil sands. The name changes to the Energy Resources Conservation Board (ERCB).



An early 1940s drilling crew—with little safety equipment other than gloves and heavy boots. Photo courtesy of the Provincial Archives of Alberta.

1962

The P&NGB—renamed in 1957 as the Oil and Gas Conservation Board (O&GCB)—opens a new Core Storage Centre in northwest Calgary and begins centralizing raw energy data, acquiring some of the first computers in Alberta.

1973

The ERCB recommends that the Alberta government require the generation of electricity from coal instead of natural gas. The PUB expands to handle increased workload as major gas and electrical utilities request higher rates.

1982

The geological branch of the Alberta Research Council becomes the Alberta Geological Survey and undergoes major expansion.

1983

Following the 67-day Lodgepole sour gas blowout in 1982, the ERCB holds an inquiry and makes major changes to regulations for sour gas well drilling, emergency preparedness, worker training, as well as longer-term scientific work on hydrogen sulphide exposure limits.

1986

Municipally owned gas utilities are removed from PUB regulation. In response to deregulation, ERCB makes major changes to crude oil prorationing.

1993

The PUB establishes flexible approach to deal with fluctuating cost of natural gas supplies for utilities.

to market some of the gas being wasted in Turner Valley: a pipeline was laid to Calgary in 1930, but is now Macleod Trail. Today, the EUB is responsible for an underground network of 266,000 pipeline. Courtesy of the Provincial Archives of Alberta.



1994

ERCB denies Amoco application to drill in Whaleback area during a year that sees a record 10 000+ well licences. Legislation gives EUB clear jurisdiction over orphan wells. AGS leaves the Alberta Research Council to become part of the Alberta Department of Energy.

1995

The ERCB and PUB officially merge to form the Alberta Energy and Utilities Board. On the utilities side, the EUB conducts its first hearing into gas utilities core markets. NOVA Gas Transmission Ltd. comes under full regulation of Gas Utilities Act, with its first general rate hearing in August. The new Electric Utilities Act provides the basis for restructuring the electric industry and its regulation.

1996

The AGS officially joins the EUB in April. The EUB officially launches new facilities application process, emphasizing streamlined review, corporate compliance, and audits and enforcement.

1999

The EUB responds to the growing profile of landowner concerns about oil and gas development with several initiatives, including new requirements to reduce flaring, a major review of sour gas public safety, and dispute resolution mechanisms.

Alberta Department of Energy

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